



2010 Investment Office Asset Class Priorities

September 2010 Quarterly Report

Global Equity Priorities — Eric Baggesen

Objective	Status	Accomplishments
<i>Meet / beat benchmarks</i>	●	<ul style="list-style-type: none"> • Initiated data cleansing process • Released Relative Return Optimization module • Commissioned External Capital Allocation vendor • Benchmark Migration – FTSE All-World • IEPC – Vendor demonstrations
<i>Integrate Environmental, Social, and Governance</i>	●	See Strategic Initiative – Financial Market Reform
<i>Finish reorganization of team</i>	●	<ul style="list-style-type: none"> • Formed cross-section teams (investment portal process, manager skill, data preparation project) • Completed duty statement review (Corp Gov and Internal Equity) • SPM feedback • Switched staff to better align skills with duties

Global Fixed Income Priorities — Curtis Ishii

Objective	Status	Accomplishments
<i>In-source internal money management</i>	●	\$2.4 billion moved to internal management in 2010
<i>Clarify role of fixed income</i>	✓	<ul style="list-style-type: none"> • Investment Strategy Group agreed on language to create two different area categories and goals • Global Fixed Income Policy was approved by PSC in August to changed the guidelines to reduce volatility of the active fixed income portfolio relative to the benchmark

Legend:

✓ = complete

● = on target or trending to target

▼ = need to watch

■ = management attention needed



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Real Estate Priorities — Ted Eliopoulos

Objective	Status	Accomplishments
<i>Complete and implement manager reviews</i>	●	In progress
<i>Continue restructuring of risk, leverage, and valuation</i>	●	In progress
<i>Clarify role of Real Estate</i>	●	In progress
<i>Revise Real Estate Strategic Plan</i>	●	In progress
<i>Implement enhanced systems and controls</i>	●	In progress
<i>Make core allocations for new investment opportunities</i>	●	In progress

AIM Priorities — Joseph Dear

Objective	Status	Accomplishments
<i>Enhance performance</i>	●	<ul style="list-style-type: none"> • Credit Suisse engaged to assist in portfolio review • Exploring rebalancing options • CY 2009 Performance: 35.4% One Year return through 3/31/10 • Almost \$20M in fee cuts in 2010
<i>Emphasize contrarian/ opportunistic investments</i>	●	<ul style="list-style-type: none"> • Committed to new "rescue capital" fund (50% IRR to date) • Thoroughly evaluated distressed bank investment opportunity
<i>Build co-investment capability</i>	●	<ul style="list-style-type: none"> • Developing more efficient screening process for direct investment opportunities • Currently working to develop direct/co-investment strategy

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ILAC Priorities — Ted Eliopoulos

Objective	Status	Accomplishments
<i>Infrastructure: Build direct investment capability</i>	●	Executed the acquisition of the first direct investment for the Infrastructure Program
<i>Infrastructure: Obtain delegations to enable effective implementation</i>	✓	<ul style="list-style-type: none"> Obtained interim Delegations of Authority for the Infrastructure and Forestland Programs Transferred and transitioned SIO-level management responsibility for ILAC
<i>Review ILAC benchmark based on asset mix and results</i>	●	In progress
<i>Conduct ILAC Program review in March 2010</i>	✓	Presented the 2010 ILAC Program Review to the IC
<i>Focus on performance</i>	●	In progress

Affiliate Investment Programs Priorities — Geraldine Jimenez

Objective	Status	Accomplishments
<i>Reduce Affiliate Investment Programs administrative costs</i>	●	Reduce administrative and program costs for the benefit of participant retirement savings (\$416,518.08)
<i>Produce three online videos to enhance member/employer education and customer service</i>	●	Coordinated with CalPERS Public Affairs Office the development of the last two of three CalPERS Supplemental Income 457 Plan educational videos
<i>Support legislation to expand products and services for enhancing retirement security</i>	●	Proposed legislation for expanding the deferred compensation statute
<i>Raise visibility of Affiliate Funds</i>	●	Enhanced employer communications by providing online resources for both prospective and contracting agencies via our Employer
<i>Update the Member Home Loan Program structure and services</i>	●	Issued Request for Proposal (RFP) for Program Manager and Servicer

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Policy and Business Support Priorities — Kami Niebank

Objective	Status	Accomplishments
<i>Improve contracting processes</i>	●	<ul style="list-style-type: none">Completed a detailed review of the entire Investment Office contracts processImproved Contract Unit procedures, tools, and templates
<i>Review incentive compensation program</i>	●	<ul style="list-style-type: none">Reviewed existing performance compensation programReviewed industry practicesDeveloped recommendations to modify the incentive compensation programPresented recommendations and currently implementing approved changes to the plans for Fiscal Year 2010-11
<i>Improve Investment Office communication materials</i>	●	<ul style="list-style-type: none">Developed agenda item and presentation templates and educate Staff on use of templatesPiloted INVO specific writing classCreated accessible resource page online which includes templates, useful information pertaining to the IC/PSC, and a link to the Document Resource Manual and Style Guide
<i>Advance organizational and leadership development in Investment Office</i>	●	<ul style="list-style-type: none">Conducted all staff organizational culture survey, completed a comprehensive analysis and provided feedback to the leadership teamConducted new employee Senn Delaney sessionsConducted Senn Delaney refresh session for INVO Senior Leaders

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Operations, Performance & Technology Priorities — Matt Flynn

Objective	Status	Accomplishments
<i>Initiate the RFP for an enhanced master custody structure</i>	●	<ul style="list-style-type: none">Engaged Mercer Consulting for RFP developmentHeld Master Custody information sessionReleased Statement of Work to procure Project Manager to oversee the RFP project phases beginning in JulyReviewed, evaluated and selected RFP Project ManagerWorked with OSSD and Legal to complete and finalize RFP.Released RFP July 30, 2010.
<i>Implement technology solutions</i>	●	<ul style="list-style-type: none"><u>Risk Management System:</u> Released RFP for Risk Management System, procured Project Manager for RFP process, received and scored nine RFP responses, identified four semi-finalists and scheduled vendor demonstrations, held vendor demos, selected vendor finalists for interviews and scheduled interviews for the first week of August.<u>Investment Accounting:</u> Completed first round of IT Impact Assessment, engaged FCSD for impact assessment discussions, Statement of Work drafted to procure a Project Manager and Subject Matter Expert for analysis phase of the project, met with target resource to discuss technical/functional analysis and requirements gathering approach.<u>Cash Reconciliation & Forecasting System:</u> Performed extensive acceptance testing of the SSB CashPro system, worked with SSB to identify issues as they were discovered, began preliminary analysis of additional cash forecasting tool

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<i>Develop and implement an investment data strategy</i>		Received approach documents from various consultant resources. Currently reviewing and evaluating proposals
<i>Strengthen internal control measures</i>		Initial draft of Pricing Committee governance framework completed

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